



April 15, 2013

The Honorable Dave Camp, Chairman
The Honorable Sander Levin, Ranking Member
The U.S. House of Representatives Committee on Ways and Means
Tax Reform Working Group
Via email tax.reform@mail.house.gov
Re: Comments to the Tax Reform Working Group

Dear Chairman Camp, Congressman Levin, and Members of the Tax Reform Working Group:

Thank you for this opportunity to provide comments that may help inform the tax reform process. My organization, the Doorways to Dreams Fund (D2D Fund), is a Boston-based, national non-profit that works to strengthen the financial security and opportunity of low- and moderate-income consumers. For almost a decade, we have worked with members of Congress, including members of this committee, Senators, and the Administration to secure an accessible and effective savings option on the tax form.¹ As a result of this work, shared by a national coalition called the Savings Bond Working Group², **more than 100,000 tax filers, many financially vulnerable, have saved more than \$50 million of tax refund dollars directly into U.S. Savings Bonds over the past 4 years. As such, we strongly believe that preserving tax time savings bonds is an essential component to any tax reform package.**

The Tax Time Savings Bond purchase option is good public policy that is accomplishing its intended purpose. This policy is helping households save and fostering a habit of saving. In the four years that the policy has been in place:

- **More than 100,000 tax filers have purchased U.S. Savings Bonds through the policy and accumulated more than \$50 million for themselves and their loved ones.**
- **Average savings per purchaser grew 70% from 2011 to 2012 to \$579.**
- Further, there is evidence that the policy is cultivating a strong savings habit - **more than 25% of 2010 bond buyers bought again in 2011 and the phenomenon repeated in 2012.**

Our recommendations below represent commonsense, cost-effective considerations for inclusion in the tax-reform effort. They ensure that tax time continues to provide essential tax filing opportunities for Americans to save – particularly for those who can only save at tax-time. The recommendations fit in to a stronger vision for America where families can withstand financial instability by developing regular, annual savings habits through the tax filing process.

¹ Since the 2010 tax season, taxpayers receiving \$50 or more in federal refund can elect to split a portion of that refund into a U.S. Series I Saving Bond using IRS Form 8888. They can save for themselves or in the name of another person. We refer to this option as the “Tax Time Savings Bond” option.

² The Savings Bond Working Group, led by Doorways to Dreams Fund, is a coalition of national non-profit organizations, local non-profit providers, commercial tax preparers, and tax software firms. All share the goal of encouraging saving by all Americans, especially low- and moderate- income families, using U. S. Savings Bonds.

Recommendations – Preserving Tax Time Savings Bonds and Increasing Saving at Tax Time

We urge the members of the committee to support the preservation of tax time savings bonds and related tax credits that enable all Americans to save at tax time easily using the tax filing process. Specifically:

- Officially codify tax time savings bonds into the tax filing process – Currently, access to this effective, unique, accessible, and universal savings opportunity is up to the decision of a current Administration. This option should be protected for all Americans for years to come and should not be threatened. Simply stated – it should be built into the tax filing process as a standard option.
- As the Treasury Department, the IRS, and the Bureau of Public Debt continue to modernize their systems and comply with upcoming tax reform, commit them to developing a long-term plan for tax time savings bonds, that includes the following features:
 - “Gifting” – the ability to gift a savings bond using a portion of the tax refund with ease
 - Helping the unbanked – the ability for those without bank accounts to use a portion of their tax refund to save in bonds
 - Simplicity – the ability to use information already on the tax form to order bonds with minimal or, preferably, no additional information needed.
- Support tax credits that encourage all savers, particularly those that are financially vulnerable, to save at tax time including those that allows for U.S. Savings Bonds as a qualified savings product.
- Make permanent the improvements in the EITC and CTC to ensure low- and moderate-income, working families don’t face the loss of these critical provisions. Data demonstrates that those receiving higher refunds are more likely to save at tax time, better-positioning their family for future financial security.
- Ensure that tax filers have access to high-quality tax preparation assistance that can simplify the code, promote compliance, and encourage productive use of tax refunds through tax time savings bonds and other savings opportunities. The IRS VITA program for decades has been a critical partner in ensuring that low-income tax filers remain compliant, understand their tax obligation, and gain access to safe financial products and services.

We look forward to working with the Working Group and members of the committee as this critical work progresses and are happy to provide you with any additional information requested. Thank you again for the opportunity to provide feedback during this process.

Sincerely,

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Tax Time Savings Bonds

The Connection between Tax Time and the Act of Saving

The moment during the tax preparation process when taxpayers learn of their refund amount has come to be known as a “savable moment.” Some tax filers, especially those eligible for tax credits, can receive tax refunds that amount to as much as 20% of their annual incomes. For many, it is the only time all year that they can save any funds for themselves or their children. The split refunds form (Form 8888) makes it possible for tax filers to capitalize on this opportunity by splitting these refunds, and the ability to save in bonds directly through the tax form makes the purchasing experience simple and convenient.

Tax Time Savings Bonds Success To-Date:

The Tax Time Savings Bond purchase option is good public policy that is accomplishing its intended purpose. This policy is helping households save and fostering a habit of saving. In the four years that the policy has been in place:

- **More than 100,000 tax filers have purchased U.S. Savings Bonds through the policy and accumulated more than \$50 million for themselves and their loved ones.**
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The Need for Increased Savings

In the aftermath of the financial crisis and subsequent Great Recession, it is not hard to appreciate the tremendous toll that inadequate savings has taken on American families, especially those who were already financially vulnerable. We have strayed far from our roots as a thrifty nation, one anticipating – and investing for – a bright, more prosperous future. But Americans still value financial prudence and long for financial security. In fact, Americans ranked the need to save for emergencies as the top reason to save in 2010 (Survey of Consumer Finance, 2010). Not surprisingly, Americans are, now more than ever, preoccupied with their current financial security.

Despite clear need and desire for quality savings product exists, access to such products remains limited for many Americans. Often, savings accounts have staggering barriers to entry including large initial deposits, high fees, and complex account opening procedures.

There is a critical role for the federal government to play in helping to ensure universal access to savings products. The tax-time savings bond policy provides such an opportunity to every American who receives at least \$50 in tax refunds, by allowing them to split their refund and purchase savings bonds directly on the tax form.

Why U.S. Savings Bonds?

We are fortunate in this country to have a universal savings product that, until recently, has been readily accessible to all Americans.³ Generations have given and received bonds as an act of patriotism, thrift, and confidence in America's future. Today, as mainstream financial service firms struggle to serve lower-wealth customers, the savings bond is the one truly universal savings product, available to anyone who wants to invest in the future. Savings bonds offer a safe and easy way for people to begin saving small amounts of money, on a pathway to longer-term financial security

Series I Savings Bonds offer:

- Accessibility – Bonds have a low minimum to open (\$50),
- Low risk – No fees; and competitive interest rate,
- Gifting – Ability to purchase savings for a family member or loved-one (co-ownership),
- Name recognition – Americans have been saving in Savings Bonds for almost 80 years.

Preserving access to the Tax-Time Savings Bond Policy

- Treasury has committed to maintain the tax-time option for the 2014 tax season, but not beyond because the program relies on the paper bond system.
- We understand that in an increasingly digital world, the ongoing transition from paper to electronic bonds is, ultimately, likely to permeate the tax time savings bond (TTSB) policy. However we are aware that Treasury has not fully prepared for the transition of the TTSB policy to an electronic system.
- In order to protect the long-term sustainability of the policy, filers need an alternative electronic bond option – for example, the ability to open a Treasury Direct account during the tax filing process.
- Additionally, this option needs to be codified into the process so it is protected for generations of savers to come.

The Boston-based Doorways to Dreams Fund (D2D), a non-profit founded by former Harvard Business School professor Peter Tufano, has long championed savings bonds as a tool for helping low-and moderate-income savers. D2D's mission is to strengthen the financial security and opportunity of low- and moderate-income consumers, and the organization views encouraging saving as a critical strategy to advance that important mission. For more information, visit <http://www.d2dfund.org>.

³ As of January 1, 2012, paper U.S. Savings Bonds can no longer be purchased unless through the tax-filing process. Americans can only order bonds using the Treasury Direct online system that requires a bank account and internet for access.